85-21

International
Marketing Information
Series

Overseas Business Reports

December 1985

85–21

NEWARK PUBLIC LIBRARY

JAN 14 1986

U. S. GOVT. PUBS.
DEPOSITORY 376

Marketing in Guatemala

Supersedes OBR 81–18

Prepared by Carlos F. Poza Commercial Attache and
the American Embassy, Guatemala

OBR

U.S. Department of Commerce
International Trade Administration

C61.12:

READEX FICHE best copy available

CONTENTS

	Page
Summary	3
Background—Economic Performance	
The Caribbean Basin Initiative	4
Foreign Trade	4
Best Export Products	4
Agricultural Machinery and Equipment—Hospital Construction and Health Care Equipment—Energy	
Industry Trends	5
Transportation—Communications—Petroleum	
Importing Into Guatemala: The Non-Financial Factor	6
Legal Framework—Import Duties—Fiscal Incentives—Industrial Decentralization Promotion Law—Internal Taxes—Procedures—Commercial Invoicing—Maritime Transportation—Airfreight Transportation—Truck Transportation	
Sales and Distribution Channels	8
Commercial Centers—Marketing and Distribution—Advertising—Agents, Distributors, Representatives	
Investment in Guatemala	10
Licensing—Patent and Trademark Protection—Incentives—Banking and Finance—Labor— Wages—Unions—Foreign Nationals—Income Tax—Other Taxes	
Import Regulations	11
Tariff Structure—Basis of Duty Assessment—Customs Surcharges—Commercial Invoices—Bills of Lading and Waybills—Parcel Post Shipments—Consular Fees— Labeling and Marking Requirements—Special Customer Provisions—Samples and Advertising Matter—Advanced Rulings on Classification—Fines and Penalties—Nontariff Import Controls—Import Restrictions—Sanitary Regulations	
Export Controls	15
Assistance to Business Travelers	15
Language—Entrance Requirements—Currency and Exchange—Business Practices—Business Holidays	
Additional Sources of Information	15
Market Profile	16

OVERSEAS BUSINESS REPORTS: $26.00 a year ($6.50 additional for foreign mailing); single copy price varies. Order from any of the Department of Commerce district offices or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Single copies also available from the Publications Sales Branch, Room 1617, U.S. Department of Commerce, Washington, D.C.

Summary

Background

The largest Central American nation in terms of Gross Domestic Product, (GDP) ($9.1 billion) and population (7.9 million—over half of whom are Indian), and third in area (somewhat smaller than Nicaragua and Honduras). The Guatemalan economy is based primarily on agriculture. It accounts for 25 percent of the GDP, employs about 50 percent of the population and generates more than 65 percent of the country's exports. Main export corps are coffee, cotton, bananas, beef, sugar and cardamon. Manufacturing provides some 16 percent of GDP and centers on food processing and the production of beverages, tobacco, clothing, textiles and leather goods. About three-fourths of non-agricultural exports go to Central American markets.

For Guatemala, regional problems have brought about a downturn in the economy—growth of 5.0 percent in 1978 was reduced to less than 1 percent in 1981 and negative 3.5 percent and 2.8 percent in 1982 and 1983. No growth was recorded in 1984. There has been capital flight, a virtural halt to tourism earnings and a drying up of private investment and supplier and foreign commerical bank credits. A rising import bill has been accompanied by reduced export receipts reflecting chaotic conditions throughout Central America and the world recession. The latter has caused the Eximbank financed Exmibal nickel mine to close pending improvement in world nickel markets. The deteriorating balance of payments position resulted in a buildup of payments arrears to nearly $300 million in 1982 and a sharp reduction in foreign exchange reserves, the latter falling from $445 million at the end of 1980 to $112 million at December 31, 1982, cover for about 1 month's imports. The reserve position would have been significantly improved, however, had Guatemala been paid some $200 million of uncollected trade debt owed by other Central American countries (mainly El Salvador and Nicaragua).

Elections in early March 1982 involving allegations of fraud were annulled by a coup later in that month which established a three-man junta led by General Efra Montt. By a coup in June, Montt declared himself President and Commander-in-Chief of the Armed Forces. Because of significant steps to improve human rights and despite certain Congressional and rights groups' opposition, the United States early in 1983 approved a $2 million sale of military spares thereby ending its 5-year embargo on such sales. Also, in a policy reversal, the United States announced its support for general developmental lending to Guatemala by the International Bank for Reconstruction and Development

Dissatisfaction from all sectors—the military, the political parties, the Catholic church (80 percent of Guatemala is Catholic), businessman and the urban middle class—resulted in a coup on August 8, 1983. Montt was replaced by the Minister of Defense, General Oscar Mejia Victores who has been characterized as "an unbending anti-Communist." The key objective of the new Government has been to return Guatemala to civilian role. Thus far, Mejia has been successful in his purpose. A Constituent Assembly election was held in July, 1984. Guatemalans and institutional observers praised this event. Presidential elections are scheduled for November 1985.

Economic Performance

For the second year in a row, the Guatemalan economy turned downward in 1983, falling–2.8 percent against a drop of –3.5 percent in 1982. This reflected declines in all sectors but especially in construction as both public and private investment continued to fall. With national savings falling less than investment in recent years, the gap between the two has been reduced from about 7 percent of GDP in 1981 to 1.8 percent in 1983. the latter was financed mainly by net capital inflows, in contrast to earlier years when it had to be covered by drawing on exchange reserves and the buildup of arrears. Inflation was only about 6.4 percent in 1983 and about 11 percent in 1984, but unemployment and under-employment total about 40 percent. Manufacturing firms are believed operating at about 60 percent of capacity and a number of plants have closed. This reflects the decline in regional markets, the fall in real disposable income at home, and the increasing shortage of foreign exchange for imported materials and equipment. Zero growth reported for 1984, leads analysts to believe that Guatemala has reached the bottom of its recessionary period.

1983 was a noteworthy year for the Guatemalan balance of payments as the current account deficit was reduced by almost 40 percent and was less than one-half the 1981 defict. A 7 percent downturn in exports was more than offset by an 18 percent reduction in imports. Over one-half of the decline in imports was caused by a cut back in imports of capital goods, one-third by a drop in purchases of such goods as raw materials, fuels and lubricants for agriculture and industry. Declining tourism and transfer receipts, however, offset in part the improved trade balance and somewhat better position for other services and the current account deficit though reduced was still $251 million. This was more than covered by an upturn in net capital inflows, up from $88.5 million in 1982 to $282.5 million. Most of this improvement reflected a reduction in private capital outlfows which may have been due to increased confidence following the August 1983 stabilization program which was supported by $122 million 16-month IMF agreement; the formalization of arrangements for settling arrears through issuance of 5-year bonds; and tight liquidity following the requirement to purchase bonds to validate all pending foreign exchange requests. As a result, the overall balance of payments turned from a deficit of $316 million in 1982 to a surplus of $31 million in 1983, the first since 1978. This permitted a reduction in arrears from the end 1982 level of $2 million and an increase in net official reserves of $29 million.

Based on Guatemala's 1983 performance. 1984 was a disappointing year. Non-compliance with the IMF agreement caused a freeze in disbursements in June 1984. By December 1984, when the IMF Agreement ex-

pired, only $60 million had been disbursed. In spite of further reductions in the import bill, maintaining an over priced currency led to further loss of official reserves and forced the legalization of a currency parallel market in November, 1984.

The Caribbean Basin Initiative

On January 1, 1984, Guatemala became a beneficiary of the U.S. promoted Caribbean Basin Initiative (CBI). CBI beneficiary countries can export duty-free to the United States over 3,800 non-traditional products. Only exceptions for duty-free treatment are textiles and textile products petroleum and its derivatives, canned tuna, watches and parts, leather and leather goods.

The CBI has opened possibilities for exports of Guatemalan fresh, frozen and processed agricultural products previously supplied by non-CBI countries. In addition, U.S., Asian and European companies are investing in the region to manufacture U.S. bound products.

For more information on CBI opportunies, contact the Caribbean Basin Information Center, U.S. Department of Commerce, Washington, D.C. 20230

For more information on investment and export opportunities in Guatemala contact the following:

American Chamber of Commerce of Guatemala
Hotel El Dorado
7a. Avenida 15-45, Zona 9
Guatemala, Guatemala

Gremial de Exportadores de Productos no Tradicionales
Edificio Camara de Industria, 9no. nivel
Ruta 6, 9-21, Zona 4
Guatemala, Guatemala

Commercial Attaché
U.S. Embassy/Guatemala
APO Miami, FL 34024

Foreign Trade

Guatemala offers significant export and investment opportunities in many product areas. U.S. exports to Guatemala totaled $310.5 million in 1983, and $369.8 million in 1984. The U.S. market share was estimated at 32 percent in 1984. The U.S. market share was estimated at 32 percent in 1984. Guatemala exported $1,092 million worth of products to the United States in 1983, as compared with $413 million in 1979. Product categories offering the best potential for export sales to Guatemala include agricultural machinery and chemicals; hospital construction and health care equipment; computers and peripherals; automotive parts and accessories; electrical power generation and distribution equipment; and food processing and packaging equipment and machinery.

Best Export Products

Some of the most promising prospects for export to Guatemala are listed below. U.S. sales prospects in these categories should remain good so long as equipment remains price competitive, delivery schedules are met, and financing terms match those of foreign competition.

Agricultural Machinery and Equipment

Agriculture has traditionally played a major role in the Guatemalan economy. The agricultural sector has been the major foreign exchange earner, accounting for as much as 75 percent of earnings in recent years. The Government of Guatemala is actively promoting agricultural development through credit facilities provided by their lending entities—BANDESA (National Agricultural Development Bank) and CORFINA (National Finance Corporation).

An important market for agricultural machinery exporters is in the Northern Transversal Zone, which has opened great quantities of new land for cultivation. Also, the northern Peten area is being made available to new small- and medium-size farmers and cooperatives to promote new plantings and cattle raising. In addition, plantings of cotton and sugar, two of the major exports corps, are expected to continue playing an important role. Cardamon has grown in importance since 1978 to become the third major export crop after coffee and sugar.

The value of Guatemala's imports of agricultural machinery and equipment averaged $25.5 million per year in the 1981-83 period. The share of the market held by U.S. exports grew steadily from 51.7 percent in 1981 to 63.2 percent in 1983. Though dollar sales levels have been maintained through 1984, the strong U.S. dollar and aggressive foreign competition have reduced our share of this market.

All types of fast-working, manual or power-operated implements are preferred. New machinery for cotton and sugarcanes is sought for testing, such as cane choppers to accelerate cutting and modified pickers to handle cotton that grows 6-8 feet tall. Solar heated grain driers have also been requested. U.S. companies that are interested in entering the Guatemalan market should be prepared to offer credit facilities.

Hospital Construction and Health Care Equipment

In the face of strong political and social problems, many of which are health related, the Government of Guatemala is waging an intensive campaign emphasizing the improvement of national health care facilities as well as other services for the Guatemalan population. In spite of hard times faced by the Guatemalan economy, the Government is expected to continue investing in the improvement of the health services infrastructure. Credits from Agency for International Development, the Inter-American Development Bank and the Interna-

tional Bank for Reconstruction and Development are also expected to support this sector.

The United States has always dominated the market for medical equipment, holding a more than 50 percent share. Guatemalan imports averaged $5 million per year in the 1981-1984 period. Almost all medical equipment and furniture is imported. The major competition faced by U.S. exporters comes from Japan and Germany, although other countries such as Brazil and Mexico export to Guatemala.

Energy

Guatemala's oil industry has failed to deliver according to expectations. After reaching a peak production level of 10,000 barrels per day, production levels in early 1985 are reported at 3,000 barrels per day. Highly restrictive legislation regulating oil exploration and exploitation is blamed for the rapid decrease in production levels. A more progressive hydrocarbons low was approved in late 1983, but regulations associated with that law are still viewed with suspicion. Nonetheless, the Guatemalan Ministry of Energy and Mines has announced new exploration and exploitation plans by foreign operations that, according to the Ministry, will increase production levels to 7,000 barrels per day by December 1985.

Guatemala's kilowatt hour, sold to consumers at up to 14 cents (of a Quetzal), is considered the most expensive in the region. Poor planning and operational inefficiencies of the National Electrification Institute (INDE) are blamed for this situation. The Chixoy hydroelectric plant is expected to add 300 megawatts to Guatemala's generating capacity in October 1985 after completion of repairs. Chixoy will improve energy availability, but will not affect the existing price structure. Devaluation of the Quetzal, if not matched by inflation, may improve price competitiveness.

Guatemala's industrial sector, a major energy consumer, is particularly aware of this comparative disadvantage. Already and during the next few years, Guatemala's industries will be receptive to energy systems and services that will help them tap alternative energy sources and allow them to use energy more efficiently.

U.S. Exports to Guatemala
By Commodity Groups and Principal Communities
1983–1984
(thousands of dollars)

Commodity	1983	1984
Wheat (including spelt)	19,651	23,249
Polymerization and copolymerization	18,364	17,036
Disinfectants, insecticides	13,233	15,927
Paper and paperboard	13,117	15,353
Gas, natural and manufactured	11,567	13,100
Animal oils and fats	7,797	12,930
Fixed vegetable oils, "soft"	9,564	12,410
Medicinal and pharmaceutical	6,686	10,545
Special transactions	5,083	10,535
Food processing machines	3,155	10,399
Fertilizers, manufactured	13,985	9,922
Civil engineering and contracting	7,995	9,366
Milk and cream	3,891	9,275
Feeding stuff for animals	9,932	9,123
Internal combustion piston engineering	5,312	6,769
Edible products and preparation	4,780	6,139
Parts and accessories	6,955	5,953
Petroleum products refined	10,039	5,794
Fabrics, woven of man-made fiber	3,759	5,008
Other organic Chemicals	5,312	4,975
Textile yarn	3,012	4,864
Other inorganic chemicals; organic	4,651	4,080
Other fixed vegetable oils	196	3,933
Essential oils, perfume	2,849	3,887
Pulp and waste paper	4,147	3,575
Manufactures of base metal	3,877	3,528
Hydrocarbons, nes	1,987	3,313
Other machinery and equipment	1,877	3,300
Pumps	1,374	3,292
Articles, nes of material of	2,235	3,285
Total	206,324	250,865
Total all items exported to Guatemala	310,544	369,794

Source: Compiled from official statistics of the U.S. Department of Commerce.

Industry Trends

Guatemala's 1984 gross domestic product was $9.9 billion. This represented a zero real growth rate from 1983. The Guatemalan economy experienced a slowdown in 1979 that continued through 1984. This was attributed to several factors. One was the continuation of the Central Bank's deliberate low interest rate policy that led to substantial outlflows of capital in search of higher returns abroad. This resulted in an extremely tight money situation that has made it difficult for local firms to borrow. Another slowdown factor was the drop in construction. This is partially due to having worked off the reconstruction bulge from the 1976 earthquake. It is also due to lack of bank financing and, to some extent, to business uncertainty arising from unsettled conditions in neighboring countries and local apprehensions. A final factor has been the disruption of trade in the Central American Common Market (CACM), to which much of Guatemala's manufactured exports have flowed in recent years.

Transportation

International shipping companies maintain regular

service between the United States and Guatemala, especially between the ports of New York, New Orleans, Miami, and Santo Tomas de Castilla (Guatemala's major port). Other ports are Puerto Barrios, also on the Caribbean coast, and San José and Champerico on Guatemala's Pacific coast. Puerto Quetzal, Guatemala's newest Pacific port, initiated operations in 1984.

Guatemala's railway network of 824 kilometers is the most extensive in Central America. Branch lines run from the Atlantic to the Pacific coast and from the Mexican border to the Salvadorean border.

Over the last 20 years, Guatemala undertook a major effort to develop its road system and all major production and consumption centers and the principal ports are now connected. Guatemala's basic road system includes the Inter-American Highway, which extends from the Mexican border to the Salvadoran border, passing through the Central Highlands and Guatemala City; the Pacific Highway, which crosses the Pacific coastal plains; and the Inter-ocean Highway, which passes through Guatemala City and connects the Atlantic ports with the port of San José on the Pacific coast. Additional paved highways connect Guatemala with El Salvador and Honduras. The total road network, including paved and unpaved roads, exceeds 14,900 kilometers.

Guatemala has 650 legal airports and landing strips, ranging from 500-meter-grassy clearings to Guatemala City's Aurora International Airport. In addition to AVIATECA, the national airline, there are a number of private airtaxi services. Guatemala is also served by Pan American World Airways. Other U.S. carriers are interested in initiating service in 1985.

Communications

GUATEL (the national telephone agency) has 53 automatic exchanges with a capacity for 110,000 subscribers in the capital city and 23,000 in the rest of the country. 79,000 additional lines, plus two automatic exchanges, for the capital city are now under installation, as well as 24,800 additional lines to be distributed outside of Guatemala City. International facilities improved greatly with the introduction of the Central American network (COMTELCA). International telephone services are provided by some 205 circuits through the COMTELCA microwave network and an automatic telephone exchange. Traffic has notably increased from 10 million communication minutes in 1972, to 24.8 million communication/minutes in 1984 since the installation of the fully automatic international telephone exchange which allows the subscriber to dial directly to most parts of the world. Telex services domestic and international are provided by an exchange (Astrodata) with a 1,156 line capacity in Guatemala city and 140 in the rest of the country.

Petroleum

Guatemala is the only Central American country with proven and productive petroleum reserves. Since late 1978, approximately 1,500 barrels per day have been pumped from the Rubelsanto and West China; fields in the Department of Alta Verapaz, near the Peten. Current estimates are that any where from 5 to 20 million barrels of recoverable oil exist in 15-20 separate structures. Current production provides less than 10 percent of Guatemala's 30,000 barrels-per-day petroleum requirements.

Importing Into Guatemala: The Non-financial Factors

Legal Framework

Practically any product can be imported, provided the corresponding duties are paid. Guatemalan imports consist of a great variety of items. Machinery and industrial raw materials represent the largest groups, followed by textiles, some foodstuffs, iron and steel manufactures, and chemicals. Unless they are imported under special licenses or privileges as described below, imports of clothing, foodstuffs, and consumer items generally carry high import duties in order to protect local manufacturers of similar goods.

Imports into Guatemala are governed by the General Treaty for Central American Economic Integration and the Central American Convention for the Equalization of Import Duties and Charges subscribed to by the members of the Central American Common Market. These treaties provide for duty-free trade within the area for all items of Central American origin and for a common external tariff. Central American tariffs have been eliminated on 98 percent of the products produced locally, but the remaining two percent account for approximately 20 percent of the value of the area's trade. External tariffs also have been equalized on more than 98 percent of the items listed on the Central American uniform Tariff Nomenclature (NAUCA). The remaining items (automobiles, petroleum, and certain agricultural products) represent from 40 to 50 percent of the total value of Central American imports.

Import Duties

Import duties under the NAUCA system are compound, since most items are subject to both a specific duty based on weight or volume and an ad valorem duty based on C.I.F. value at port of entry. Duties on capital goods or agricultural equipment are relatively low, ranging from 5-15 percent. Consumer goods not produced locally are assessed at from 25-20 percent. Luxury items and items that compete with locally produced items are assessed from 100-150 percent. Licensing requirements are sometimes imposed to control items that affect national health and safety.

The Central American Monetary Council proposed the San José Protocol to correct deficiencies in the balance of payments of the area. The basic effect of the Protocol is to apply a 30 percent surcharge on the duties applicable at the time of importation on all nonessential items and luxury items not produced within the Central American area. Specific provision is made in the Protocol to exempt under its terms companies enjoying duty exemptions under the respective industrial development

programs.

On November 8, 1968, the San José Protocol became effective for a 5-year period in Guatemala, El Salvador, and Nicaragua. It became effective in Honduras in March 1969 and in Costa Rica in August 1970. The Protocol has subsequently been extended for additional 5-year periods. Costa Rica renounced the surcharge in 1980, but Guatemala still retains it.

Fiscal Incentives

In 1962, the Central American Common Market (CACM) countries signed the Central American Agreement on Equalization of Fiscal Incentives in an attempt to unify the individual industrial development incentive programs, while also coordinating their application. Under the industrial development philosophy, the Guatemalan Government provides to qualified investors exemptions from corporate taxes and exemptions or reductions in import duties.

New industrial projects considered eligible to receive incentives are those that will incorporate (1) modern and efficient methods for processing raw materials; (2) semifinished products or finished products; (3) items needed by other productive industries; (4) items that satisfy the basic needs of the population; and (5) items that will replace articles being imported in large quantity or that result in increasing the volume of exports. Fragmentation of the CACM has resulted in application of different fiscal incentives policies among market members.

Industrial Decentralization Promotion Law

The Industrial Decentralization Promotion Law enacted in 1979 provides for the promotion and establishment of new industrial firms outside of the Department of Guatemala that motivate regional development, create work opportunities, take advantage of raw materials from different regions, stengthen the internal market, and incorporate the largest possible number of inhabitants in the national development process.

Internal Taxes

Without the approval of the executive council of CACM, each country can impose consumer taxes on a variety of specified products (principally those for domestic consumption) at rates of up to 20 percent on some articles and 10 percent on others. Guatemala currently has a 7 percent value added tax (VAT).

Procedures

Almost all imports are made by orders placed through local sales agents or manufacturers' representatives who operate on an indent sales baiss. This type of agent very seldom keeps large merchandise inventories unless the product to be stored has a high local turnover within the existing market. End-users and retailers who have storage facilities often import directly.

Importers can make use of 10 bonded warehouses. The addresses of the bounded warehouses are

Almacenadora Internacional
ALMINTER
Avenida Petapa 37-25, Zona 12
Guatemala, Guatemala
Tel.: 76-14-33, 76-12-45

Almacenes y Servicios, S.A.
ALSERSA
Km. 5 Carretera al Atlantico
Guatemala, Guatemala
Tel.: 56-09-91, 56-09-95

Almacenadora de Occidente, S.A.
ALDOSA
50 Calle 27-89, Zona 12
Guatemala, Guatemala
Tel.: 76-18-78, 76-17-74

Almacenes Generales, S.A.
ALGESA
4a. Calle 0-24, Zona 13
Guatemala, Guatemala
Tel.: 31-62-40, 31-03-86

Almacenadora Guatemalteca, S.A.
ALMAGUATE
Avenida Petapa 36-55, Zona 12
Guatemala, Guatemala
Tel.: 76-02-76, 76-02-95

Compania Almacenadora, S.A.
COALSA
24 Avenida 41-81, Zona 12
Guatemala, Guatemala
Tel.: 76-04-51

Almacenes de Deposito del
Crédito Hipotecario Nacional
ALMACREDITO
13 Avenida 13-21, Zona 1
Guatemala, Guatemala
Tel.: 2-1587, 2-6621

Almacenadora del Norte, S.A.
ALMANORTE
7a. Avenida 8-56, Zona 1
Guatemala, Guatemala
Tel.: 56-23-94, 56-02-90

Almacenadora del Pais, S.A.
ALPASA
Avenida Petapa 55-38, Zona 12
Guatemala, Guatemala
Tel.: 76-00-33, 76-02-69

Commerical Invoicing

Local authorities require one original plus five copies of the commerical invoice in Spanish for all shipments. These must be legalized at the nearest Guatemalan consulate abroad. Clearance of merchandise through customs is generally done by a registered customs broker. Merchandise can be cleared at the seaport of entry, the international airport, the international borders, or at the Central Customs Office in Guatemala City.

Unclaimed merchandise that has been left at the customs warehouse for a period exceding the legal free-or-charge storage time (60 days) is publicly auctioned.

Maritime Transportation

In Guatemala, there are two ocean ports of importance on the Atlantic coast—Puerto Barrios and Santo Tomas de Castilla—and two of lesser significance on the Pacific coast—San José where a new port is now in operation (Puerto Quetzal) and Champerico, which handle some 25 percent of total imports.

Puerto Barrios mainly handles banana exports for Del Monte Corp. Santo Tomas de Castilla is the port with the most modern installations. Roll-on, roll-off, trailers and containers, as well, as break-bulk cargo are efficiently handled at this port. Two fertilizer importing firms own clamshell bucket cranes, which provide reasonably rapid unloading of the firms' bulk cargos. This equipment is sometimes available to other importers. A 50-hectare free trade and industrial zone at Santo Tomas de Castilla (ZOLIC) offers special facilities for duty-free storage and industrial processing. Under 1979 amendments to the 1973 law creating the zone, several attractive tax and other incentives are available to firms that manufacture for export in the zone. Modular factory and warehouse structures and open area for the construction of buildings by users are available. For further information, contact Zona Libre de Industria y Comercio Santo Tomas de Castilla, 6a. Avenida 0-60, Zona 4, Torre Profesional III, Oficina 301, Guatemala, Guatemala.

The port of San José generally handles a low volume of imports. However, the volume has recently shown a steady increase. Surf at Champerico makes it unsafe for ships to come alongside, cargo is moved to and from ships by lighter boats. Puerto Quetzal, built to the east of San José, has an artificially protected anchorage with docking space for vessels. It has roll-on/roll-off container and bulk handling facilities. A free trade and industrial zone also operates in that port. Champerico is the principle export port for raw cotton due to its proximity to the plantations.

All four ports have rail connections to the capital city. Rail rates to the capital city are the same for Pacific and Atlantic ports.

Guatemala's proximity to the U.S. Gulf ports and Miami make these the favorite points of departure for U.S. cargo bound for Guatemala.

The following shipping lines provide regular sevice to and from U.S. and Guatemalan ports:

Armasal-Comacasa (Salvadorean)
Kawasaki Kisin Kaisha Ltd. (Japan)
Coordinated Caribbean Transport (CCT) (United States)
Hapag Lloyd (Germany)
Mexican Lines (Mexican)
Seaboard Marine Ltd. (United States)
Concorde Lines (United States)
Sea-Land Service (United States)
Compagnie Generale Maritime (French)

Airfreight Transportation

Nearly 10 percent of total imports are transported by airfreight. The most important carrier of U.S. passengers and cargo is Pan American Airways. Mexicana de Aviacion, and TACA (Salvadorean) are the second and the third largest carriers, respectively, of international cargo and passengers to Guatemala. Miami is the principal gateway. Other U.S. gateways are New Orleans, Houston, and Los Angeles.

The Guatemalan national airline AVIATECA (Aerolineas de Guatemala) offers international service to Miami, New Orleans, and Houston.

Truck Transportation

Some imports from the United States are brought into the country by land. This is a frequent practice among private transporters who travel to the United States to purchase their own trucks and offer freight space to importers or direct buyers.

Sales and Distribution Channels

Commerical Centers

Guatemala City is the political, industrial, financial, and commerical center of Guatemala. Nearly all firms engaged in international trade are located in or have a representative office in Guatemala City. In addition, a free trade and industrial zone operates at Santo Tomas de Castilla, on the northeastern coast.

Marketing and Distribution

The Central American Common Market (CACM), of which Guatemala is a member, has caused a change in the area's distribution pattern. Land and air transportation improvement and the duty-free status of many products have resulted in the shift to CACM sources of supply, particularly for light manufactures, processed foods, and other standardized industrial and agricultural items. This, in turn, has increased demand for imported capital goods, raw materials not locally available, and sophisticated consumer goods demanded by a rising standard of living.

In Guatemala, no sharp line is drawn in merchandising, and many firms combine activities that would be specialized in the United States. A single firm frequently operates as an importer, wholesaler, retailer, sales agent, and exporter, dealing in a wide variety of unrelated items.

Public and commerical warehousing is sometimes inadequate, but storage has improved in the ports that have been enlarged in recent years. Congestion and delays in clearing goods through customs can occur.

Advertising

Most international exporters and agencies funnel their advertising through local or international agencies that use affiliates in the region. Many large business firms in Central America have their own advertising and marketing departments.

Major media used are television, radio, and newspapers. Newspaper and television coverage are concentrated in the cities, but radio reaches remote rural areas, especially since the advent of comparatively inexpensive portable radios. Motion pictures continue to attract large numbers. Advertising film clips are used extensively before each performance. Outdoor displays are used to some extent, as are posters, loudspeakers, and some direct mail. Trade publications are not dominant enough to warrant a significant share of advertising expenditures.

Newspapers—There are two daily newspapers in Guatemala, both of which circulate nationally. The major daily is La Prensa Libre, a morning tabloid with a circulation of 80,000. El Grafico, the second, morning newspaper, has a circulation of 75,000. Prensa Libre and El Grafico are the major vehicles of commerical advertising. One English-language paper, This Week, is published weekly, but it accepts no advertisiing. Two small Spanish language dailies—El Imparcial (circulation 10,000), and La Hora (10,000), are much less influential and attract relatively little advertising.

Television—Guatemala has five television stations, of which one is Government-owned, with 22 repeaters in the interior. Of 1,000,000 television sets in use, 360,000 are color. The television audience is estimated at 3 million.

Radio—Guatemala has 101 broadcast stations. An estimated 6.5 million radios are in use.

Agents, Distributor, Representatives

In Guatemala, Congressional Decree No. 78 of September 29, 1971, sets forth the legal standards regulating agency, distribution, or representation contracts entered into with national or foreign firms. Subparagrph (a) of Article 1 defines an agency, distribution, or representation contract as "that through which a natural or juridical person, national or foreign, known as the principal, appoints another natural or juridical person known as agent, representative or distributor, exclusively for the sale, distribution, promotion or introduction to the territory of the Republic, of certain products, merchandise or goods elaborated, constructed or manufactured within or without the country, or, for the same purpose, for the rendering of services."

An agent, distributor, or representative is "a natural or juridical person domiciled in the country, with whom it is agreed to engage in the activities referred to in the preceding paragraph, as long as he acts independently of the principal, through his own firm and with permanency. Therefore, the present law is not applicable to commerical agents, wholesale middlemen nor to those considered by the law to be non-independent distributors bound by a regular labor contract."

According to Article 2, the contract regulated by the law is, in nature, principal, bilateral, consensual, onerous, commutative, and for an indefinite term, except when there shall be express agreement to the contrary solely as to the term of the contract. The contract may be executed by means of a public document or of a duly authenticated private document.

According to Article 3, the agency, distribution, or representation contract shall only be terminated or renewed, by the following:

(1) Mutual written consent between the parties.
(2) Expiration of the term, if any.
(3) Just cause.
(4) Decision of the agent, distributor, or representative, provided he/she gives the employer 3 months' notice, in which case he/she is obliged to render accounts from the time he/she assumes the obligation to do so and to return, at warehouse cost price, whatever pertinent merchandise he/she may have on hand under the terms of the contract. Should the principal refuse to pay for such merchandise, he/she shall be liable for whatever damages may result from his/her action.
(5) Decision of the employer, at any time, provided he/she complies with the payment of damages as specified in the law.

Article 4 of Decree No. 78 sets forth the just causes covering the termination of a contract, as they apply to both contacting parties to the principal, and to the agent, distributor, or representative.

The following causes are applicable to both contracting parties:

(1) Non compliance or breach by the other part of any of the obligations or restrictions imposed by the contract.
(2) Conviction for a crime by one of the parts against the property or person of the other.
(3) Unfounded refusal by the other part to render reports or account or to carry out pertinent financial accounting in connection with the business, at the time and in the manner agreed upon.

The following causes are applicable to the principal:

(1) Disclosing or giving information to third parties without the proper authorization from the agent, distributor, or representative, of all facts, data, codes, or formula given to him/her in confidence, under the terms of the respective contract.
(2) A decrease in the average sales or distribution of the products or services, as compared with similar products sold or services rendered during the preceding year, resulting from negligence or incompetence of the agent, representative, or distributor, as determined in a court of law.

The following cause is applicable to the agent:

(1) Whenever the principal acts in such a way as to directly or indirectly prevent or tend to prevent the agent, representative or distributor from carrying out the contract.

Should the principal cancel or rescind the contract for any other causes than those specified in Article 4, or, should he/she, with this in view, engage in acts that directly or indirectly prevent or tend to prevent the agent, representative, or distributor from carrying out his/her duties or should he/she benefit from the rights emanating from the contractual relation, such principal shall, inaccordance with Article 5, indemnify the party

of the other part, from any damages resulting from the causes already mentioned. According to Article 6, the indemnification referred to in Article 5 covers the following:

(1) Reimbursement of direct expenses incurred by the agent, repesentative, or distributor during the preceding year for promotional or publicity purposes in connection with the contract.
(2) Investment made because of the contract that cannot be recovered or used for other purposes.
(3) Payment, at the warehouse cost price, for the merchandise in stock that cannot be sold because of the termination or cancellation of the contract, provided such merchandise is in good condition. On the other hand, merchandise whose spoilage cannot be attributed to the agent, distributor, representataive, or his/her sales personnel shall be considered to be in good condition.
(4) Fifty percent of the gross profits that could have been received throught the sale of the merchandise referred to in the preceding paragraph, had the contractual relation continued.
(5) An amount equivalent to the total gross profits that the agent, distributor, or representative may have obtained during the last 3 years or during the time he/she may have exercised the representation should that period be less than the 3-year period previously mentioned.
(6) Indemnifiction to which, according to the law employees or laborers are entitled and whose termination results from the cancellation of the contract by the employer without just cause.

In cases where it is necessary to resort to the courts, the total indemnification shall be determined by experts in summary proceedings as set forth in Decree No. 78, Article 7.

In order for the principal who has been sued in compliance with the provisions of Article 5 of the law to enter into an agency, distribution, or representation contract with another party or to engage under any other guise in the activities mentioned therein, he/she must present proof of payment of the indemnification levied against him/her by the law, or honor his/her obligation by posting a bond in a sufficient amount to guarantee payment of the sum assessed.

Investment in Guatemala

Licensing

Licensing is not widespread in Guatemala. Generally a foreign company will export to Guatemala or set up a manufacturing plant in the country. However, several U.S. licensees operate in Guatemala.

Patent and Trademark Protection

Patents, trademarks, and trade names receive protection in Guatemala. Patent applications, trademarks, trade names, and slogans must be filed with the Office of Trademarks and Patents in the Commerce, Industry, and Controls Administration.

Trademark protection is granted for 10 years and is renewable. In the case of a foreign patent, it may be granted solely for the time remaining before its expiration in the country where the first patent was issued but never for a period of more than 15 years.

Incentives

Guatemala is firmly committed to industrialization and offers generous incentives to investors prepared to establish or expand locally.

Under the Industrial Decentralization Law, incentives are provided, based on the distance from the capital and the development level of the area where investment is planned. Incentives consist of forgiveness of taxes and import duties, special help from the Guatemalan export promotion authorities, and concessionary lending from the National Finance Corporation (CORFINA).

Under the Incentive to Export Enterprises (DRAWBACK) Law, incentives are available for the establishment of enterprises that promote the export of goods as a means of allowing greater labor utilization by creating sources of employment. The law is specifically designed to attract offshore assembly operations, such as those carried out by and for U.S. firms under section 806.30 or 807 of the Tariff Schedule of the United States.

The basic legislation, as modified by 1979 amendments under which the Santo Tomas de Castilla Free Zone was created, provides for the importation, storage, processing, and export of foreign raw materials, subassemblies, or finished goods free of import or export duties and all local or national taxes or fees, as well as exemption from income taxes for 12 years. The 1984 Drawback Law further liberalizes assembly-for-export operations.

Banking and Finance

Financing is available from commercial banks, international banks (usually in Panama, the United States, or the Bahamas) and their representatives, the Export-Import Bank of the United States, and the Overseas Private Investment Corporation. In addition, the Foreign Credit Insurance Association will insure certain exporters' risks. International sources of medium to long-term financing include the Central American Bank for Economic Integration (CABEI), the Inter-American Development Bank (IDB), and the International Bank for Reconstruction and Development (IBRD). The Overseas Private Investment Corporation (OPIC) provides insurance bond financing for investments that are at least 25 percent U.S.-owned.

Labor

Skilled labor and lower and middle management are difficult to find. Most firms do their own in-plant training. A number of vocational training schools, notably the government-operated Instituto Ténico de Capacitacion y Productividad, have been created, some with the support of U.S., West German, and U.K. funds and technicians. Skilled workers and mid-level

management, if not recruited through informal channels, are attracted through advertisements in newspapers.

Unskilled personnel are easy to find, and firms report that local workers are quick to respond to training.

Wages

Rates are subject to employer-employee (union) agreement, but minimum rates have been fixed for most occupations by the Ministry of Labor. The normal work week is 45 hours. Workers receive 12 days of annual vacation and 1 month's pay before Christmas (the aguinaldo or Christmas bonus). Workers employed for 6 full days per week are paid for 7 days.

Unions

Unions are not very strong. Most are apolitical by Latin American standards. Their main goals are higher wages, job security, and opportunities for training and promotions.

Foreign Nationals

In order to contract the services of a foreign worker, whether a technician or not, authorization must be requested from the Ministry of Labor and Welfare (Ministerio de Trabajo y Prevision Social). Authorization is difficult to obtain and will be granted only if there is no Guatemalan worker able to carry out the services in question. An attorney is usually employed to handle immigration matters. The authorization to employ foreigners should be requested well in advance of their arrival in Guatemala. There is a quoto established for foreign workers based on the number of Guatemalan workers employed.

Income Tax

Income tax is payable on income obtained by all persons, resident or nonresident. Corporations are taxed under the Income Tax Law (Decree Law 299); there is no separate corporation tax law. Individuals and companies are taxed according to a progressive rate, ranging from 5 percent on the first $1,000 of taxable income to 48 percent on taxable income above $500,000. No provision is made in the Income Tax Law for the application of income taxes paid abroad against Guatemalan tax and must file personal returns annually and on leaving the country. The regulations define gross income as including—but not limited to— wages, salaries, overtime, daily allowances, gratuities, reimbursement, penisons, subventions, bonuses, and commissions.

Other Taxes

Sales Tax.—Sales tax is 3 percent and is payable each quarter, in the case of businesses in general, by means of a sales declaration. The tax on invoices and receipts for services and casual transactions is usually paid by the adhesion of fiscal stamps to the document, but it also may be paid by means of a quarterly declaration.

Social Security Tax.—Employers in Guatemala City pay 7.8 percent on payrolls and on remunerations in general. Employees pay 3 percent. The rates in other parts of the country are 3.8 percent and 1 percent, respectively.

Excise Taxes.—These are levied under various decrees on beverages, cigars, cigarettes, tobacco, gasoline, vehicles (llicense plates), and air travel tickets. These latter pay, in addition to the 3 percent fiscal stamp tax, a tax of 10 percent on the fare. A 7 percent value added tax (VAT) applies to all commerical transactions.

Stamp Tax.—A stamp tax of 3 precent is imposed on all legal documents, including receipts, both foreign and domestic.

Import Regulations

The Uniform Central American Customs Code (CAUCA) established the basic provisions for common customs legislation in Central America. All CACM countries have adopted the Code and its regulations.

Tariff Structure

Both the CACM tariff schedules and the nonharmonized national schedules are two-column systems, most often applying both specific and ad valorem duties to a single, tariff item. Nomenclatura Arancelaria Uniforme Centroamericana (NAUCA), is used. It is similar but not identical, to the United Nations Standard International Trade Classification (SITC).

Duties under NAUCA range from free or minimal on various essentials such as certain food items, medicines, capital equipment, and agricultural machinery to 50 cents per gross kilogram and up, plus an ad valorem duty on non-essential industries." Most common are duty rates of 50 cents per gross kilogram, plus 10 percent to 15 percent ad valorem.

Information on duty rates for individual imports in Guatemala is available from Department of Commerce District Offices or from the Caribbean Basin Division, International Economic Policy, ITA, U.S. Department of Commerce, Washington, D.C. 20230; (202) 377-2527.

Basis of Duty Assessment

Duties are expressed in Central American pesos (written CA$) per unit of gross weight or measure. Gross weight of the merchandise includes the containers, receptables, wrapping, bales, and packing of any kind. Ad valorem duties are levied on the CIF value, port of entry. The Central American peso is an accounting unit rather than an actual currency.

The metric system of weights and measures is used in CACM.

Customs Surcharges

A 1968 protocol sets forth emergency measures to improve relative balance-of-payments positions of the CACM member countries' primarily through the imposi-

tion of a 30-percent surcharge on import duties. The surcharge is levied on nearly all CACM imports, including those not covered by the uniform tariff. The surcharge is not levied against certain kinds of livestock, food, fertilizers, petroleum, edible oils, pharmaceuticals, and capital goods for use in agriculture or by exporting industries.

Commerical Invoices

Five copies of the commerical invoice in Spanish are required on all shipments. The invoices must be legalized. Shipments under $200 and noncommerical shipments are exempt.

The commerical invoice should contain the following: (1) name, type of business, and address of the exporter; (2) place and date of issuance of the document; (3) name, type of business, and address of the consignee; (4) description of markings, plus kinds and quantity of containers; (5) detailed description of the contents of each container, preferably as classified under NAUCA or SITC systems; (6) commerical references, such as codes and serial numbers used by the exporter; (7) weight and measurement details; f.o.b. and CIF values of the merchandise with the list of expenses; (8) country or origin of the merchandise; and (9) signature of the exporter or his/her representative on all copies of the invoice.

The following shipper's sworn statement must appear in Spanish at the bottom of the invoice:

> "El infrascrito ..... declara y jura ser, ... de la casa de comercio ..... de esta ciudad, calle ..... No ....., que son ciertos los precios y demas datos consignados en la presente factura, haciéndose solidariamente responsable con la casa destinataria por cualquier ilegalidad o inexactitud que por ulteriores investigaciones pudiera constatarse en los datos anotados. (Date and signature. The date on the invoice and on this oath must be the same.)

The English translation follows:

> "The undersigned (shipper's name) declares and swears that he (she) is (title) of (name of the business firm) of this city ..... street ..... No ..... that the prices and other data given on this invoice are correct, that he (she) is jointly responsible along with the consignee firm for any illegality or error which by later investigation may be discovered in the data given."

Penalties exist for the omission of one or more of the items mentioned above.

Bills of Lading and Waybills

One original and four copies of bills are all to be legalized, but "to order" bills are acceptable, provided that bill endorsements have the name of the company and the signer stamped, typewrittren, or printed.

The Customs Code of CACM directs that the bill of lading include the following: (1) name of conveyance, (2) name and business of the shipper and consignee, (3) the loading and off-loading port, (4) kind and quality of containers, (5) common description of contents, (6) gross weight in kilograms, (7) details concerning contracted freight charges, (8) place and date of insurance of the bill (9) signature of the carrier, and (10) marks and numbers. The waybill should include information as set forth in items 1, 2, 5, 6, 7, 8, 9, and 10, above, along with a notation as to where the shipment is to be delivered and the payment terms.

Parcel Post Shipments

Shipments valued at $100 or more are to be documented in the same manner as freight shipments. Commerical invoice documentation remains uncharged for shipments of greater value, except that consular legalization may not be required if the shipment originates from an area where there is no Guatemala consulate.

Consular Fees

Listed below are consular fees in U.S. dollars:

Letter of correction	$ 5.00
Commerical invoice (original and 4 copies)	15.00
extra copy of Commercial invoice, bill of lading, freight bill, certificate of origin (each)	2.50
Duplicate set of commerical invoice and bills of lading	5.00
Free sale certificate	5.00
Purity certificate	10.00
Sanitary certificate and Certificate of analysis if presented with other documents	10.00
Authentication of County Clerk's signature	5.00

Labeling and Marking Requirements

There are no special requirements in Guatemala for marking of place of origin on goods or the labeling of general merchandise. Regulations governing the labeling of pharmaceuticals and foodstuffs are noted in this publication under sanitary regulations. In general, fertilizers and insecticides of all types must be labeled clearly in Spanish to show date of manufacture, chemical formula, date of exportation, precautions in handling and use, and antidotes in case of poisoning.

Packages may be marked with either stencil or brush. Weights need not be shown on packages, but each must bear a mark and be numbered.

Special Customs Provisions

Entry, Transit, and Reexports.—Under CAUCA, storage charges are incurred if goods are not cleared before 15 to 30 calendar days from the date of entry into the customhouse of destination or if the merchandise is not withdrawn from customs within 5 calendar days following liquidation.

For clearing all commerical shipments, other than parcel post, an authorized customs broker is required. All merchandise, including that which is legally exempt from payment of duties, shall be requested from customs by an importer's declaration (poliza).

A standard customs form, different from an importer's declaration, is used in clearing merchandise originating within CACM. All import declarations shall

be presented together with the bill of lading, commercial invoice and other documents required by law, in original form and with the number of copies indicated elsewhere in this report. If one of the above-mentioned documents is missing, the customs officials may authorize clearance of the good under a cash deposit, granting the interested party 60 days to present the missing documents.

Merchandise deposited at customs will be considered abandoned when request for clearance of merchandise is not made within 60 days after date of receipt by the customhouse or when merchandise is not withdrawn within 30 days from the cancellation of the importer's declaration.

Earlier clearance may be ordered by the authorities when the merchandise comprises explosive, inflammable, or corrosive materials; baggage; household furnishing; plant or live animals or other merchandise that, in the opinion of the Administrator requires such treatment or is perishable. Abandoned merchandise is sold at public auction; receipts from the auction will be applied to sale expenses, duties, fines and customs charges, and to outstanding accounts for transport services, handling and mobilization of transport service, handling, and mobilization of merchandise prior to delivery to the custom house. The balance, if any, reverts to the person, proving within 6 months of the date of the auction, his or her claim to the same.

In-transit merchandise is exempt from duties and fiscal or municipal taxes regardless of origin or destination, but it is subject to the payment of fees for customs services rendered. A bond is usually required: its amount should be sufficient to cover all duties, taxes, and other charges that would apply to the in-transit goods in case these were not reexported.

A reexport declaration must be presented if goods are to be reexported on a carrier different than that of arrival; the corresponding bill of lading or waybill must be attached to the declaration. However, once goods have been declared in the country and import duties have been paid, goods for reexport are subject to export duties, and import duties already paid will not be refunded.

Samples and Advertising Matter

Samples.—Under the regulations of CAUCA, samples brought in by traveling representative do not require a commerical invoice, provided that a list in triplicate is presented specifying the articles, their commerical value, and the reference number of title under which they are commerically known. Samples are subject to normal documentary requirements.

Generally, samples without commerical value or in such condition as to be suitable only for demonstrating the characteristics of the merchandise may enter duty free. Samples that can be used, such as food products and medicaments, are dutiable at the same rates as apply to commerical shipments.

Samples having commerical value may be imported temporarily duty free under bond, usually equivalent to the amount of applicable duties, charges and fees. The merchandise must be removed from the country or the bond becomes forfeit at the end of the period of temporary importation.

Advertising Matter.—Catalogs, pamphlets, and sheets containing instructions for the operation and maintenance of machinery and apparatus and on the use of drugs, medicines, and veterinary products are subject to an import duty of 3 cents per gross kilogram. Most other printed advertising matter for food, beverages, medicines, and any other articles for sanitary uses must be approved by the Ministry of Health (see Advanced Rulings on Classification).

Advanced Rulings on Classification

In cases of new products not previously imported into Guatemala or where a slight difference in customs treatment may affect significantly the level of duty imposed, American exporters can seek advanced rulings on the proper classification of imported goods from the Direccion General de Aduanas, Ministerio de Finanzas, Guatemala, Guatemala.

A request for an advance ruling should set forth the following information: (1) a complete description of the article, (2) its principal uses, (3) the material it contains, (4) the manner in which it is made, and (5) the exporter's impression as to the section of the NAUCA or SITC SCHEDULES UNDER WHICH THE PRODUCT IN QUESTION WOULD BE CLASSIFIED. If practical, samples should be submitted; otherwise, descriptive literature and catalogs, preferably with drawings or pictures, will be accepted. The trade names should be specified and the regular wholesale price, f.o.b., and port of export should be shown. This procedure can be best carried out by a local customs broker or importer.

Fines and Penalties

Contraband and fiscal fraud are defined in the legal code, and penalties for violations conform to these codes.

According to the Uniform Customs Code, any omission or falsification in the waybill, bill of lading, or consular invoice will result in a fine of between $5. and $100.

When goods are invoiced at a tariff classification duitable higher than the correct one, a fine will be applied equivalent to 5 percent of the difference in customs duties. When goods are underclassified, a fine will be applied equivalent to 25 percent of the difference in customs duty. Fines less than $5 are dismissed, and the above-mentioned fines cannot exceed $100. If the dutiable weight or quantity is applied. If the weight declared is lower than the actual weight by 10 percent or more, a fine is levied equivalent to 25 percent of the difference in duties based on the correct and incorrect weight.

Nontariff Import Controls

Exchange Controls—Exchange controls are in effect in Guatemala. Exchange permits are required on all

imports from outside CACM. Due to limited availability of foreign exchange in 1984-85, only essential import receive dollars at the official exchange rate from the Central Bank. All other foreign transactions require that the Guatemalan importer obtain U.S. dollars at the free rate in the legal and/or "informal" parallel markets. These limitations are expected to continue affecting the Guatemalan market until 1987.

Import Restrictions

Import controls apply to most classes of the following commodities: firearms, ammunition, and explosives; and industrial or beverage alcohol or products used in the manufacture of seeds, plants, and plant products. In addition, each shipment of animals or animal products must be accompanied by a general health certificate from a veterinary official of the country of origin. Specific health certificates are required for imports of live animals, including pets. Specific health certificates must have consular legalization for shipments to Guatemala.

Sanitary Regulations

Pharmaceutical Regulations—All pharmaceutical products, toilet articles, cosmetics, and articles of hygiene must be registered in the country of importation, and proof of this registration must be shown before the goods may be withdrawn from customs. To register these products the following procedures must be followed:

(1) Application must be submitted (on officially stamped paper) to the Ministry of Health (Ministerio de Salud Publica).
(2) Prior to application for registration of specifc shipments, Guatemala requires that each pharmaceutical or chemical product have a seal of approval issued by the Guatemalan Ministry of Health.
(3) Information on dosage, pharmacological properties, and qualitative and quantitative formula must be furnished.
(4) Proof must be given to the registration of the trademark.
(5) Registration must be renewed every 6 months.
(6) Application is generally made through a representative in the country with the manufacturer's power of attorney.

Registration fees in Guatemala are $3 to $15 per product.

Containers of serums and vaccines must bear, in addition to the above regulations the following: (1) date of manufacturer (except for products not altered by time) and the time during which the product will retain its potency; (2) preventive, diagnostic, or curative value; and (3) written instructions on storage as well as use.

Regulation of Foods.—Regulations contained in Decree No. 8-73 of the Ministry of Public Health require that all food products sold in Guatemala be registered with the Food Control Office (Oficina de Control de Alimentos) of the Ministery of Health. All imports of food products must be authorized by the Food Control Office based on a certificate of purity and free sale of each product issued by the sanitary authority of the country of origin. No product will be permitted entry unless the importer shows proof to Guatemalan customs of having obtained the above authorization. Imported food products cannot be sold in the country until registry has been accomplished.

A temporaty registration certificate may be obtained at no cost and within 15 days of presentation of the registration request, permitting the product to be sold in Guatemala based on the purity and free sale certificate from the country of origin.

The food product registration application must be typed on Guatemalan legal paper and contain the following information:

(1) Full name, age, marital status, nationality, profession, occupation, and address of the person filing the request.
(2) Name and address of the producer or manufacturer.
(3) Name and address of the importer of manufacturer's local representative.
(4) Name and description of the product.
(5) Qualitative formula of the product to be registered. A quantitative formula may be required by the local Food Control Office in certain cases. If so, it will be kept absolutely confidential.
(6) Name and proportion of preservatives, colorants, flavors, aromas and any other type of additives used in the preparation or manufacturing of the product.

The registration request should be accompanied by the following material:

(1) Three labels, packages, or copies of the same.
(2) Certificate or purity and free sale from the country of origin. Analysis is required by the Food Control Office (Government Decree SP-G-96-76). These documents must be legalized by the Guatemalan consulate. They also must be translated into Spanish when issued in a foreign language.
(3) Three samples of each product to be registered.

In some cases, at the option of the Food Central Office, some natural goods, raw materials can be imported only under a special permit issued by the Food Control Office upon a written request accompanied by a purity and free-sale certificate issued by the corresponding health authority in the country of origin.

Labeling of pharmaceuticals.—Labels, including those on samples for registration, must either be in Spanish or have Spanish strip labels in addition to English labels. Every pharmaceutical specialty must have on the carton or container the name of the product, quantity (expressed in metric system), ingredients per dose, therapeutic properties, directions for use and name and address of the manufacturer. Labels on mouthwashes and similar preparations must bear the inscription "Para uso interno" (internal use). Labels on products for external use only should bear the phrase "Uso externo" (external use). Labels on poisonous substances, including insecticides and pesticides, should bear the word "Veneno" (poison), the name of the sub-

stance or substances, and a skull and crossbones.

Labeling of foodstuffs.—Labels in accordance with the laws of the exporting country and printed in Spanish will be accepted in Guatemala. The metric system of measure must be used, and the ingredients must be listed in order of the proportion of their use in the product. The size of the lettering may not be less than one-sixteenth of the lettering used for the name of the product. The use of artificial coloring or preservatives must be noted in lettering not less than one-fourth of the size of the lettering used for the name of the product.

Imports of food products must bear the license number issued in the country of origin of domestic manufacture. Guatemala also requires a Certificate of Purity and Free Sale on all shipments of food and food additives (including colorings) for human consumption. The certificate to be prepared by health authorities in the country of product origin (State, country, or municipal, at the discretion of the exporter) must indicate that the product is safe for human consumption and that it is not restricted for distribution and sale in the country of origin. Certificates must be notarized.

Export Controls

Guatemala maintains export controls. Exports duties are levied, and export licenses are required.

Assistance to Business Travelers

Language

Spanish is the official language in Guatemala. Many firms are accustomed to carrying out business correspondence in English; however, correspondence should be in Spanish. Catalogs and technical literature should be provided in careful translations.

Entrance requirements

All U.S. citizens visiting Guatemala are required to obtain a tourist visa or a tourist card. Visas are issued free of charge by the Guatemalan Embassy or consulate upon presentation of a valid passport. The tourist card can be purchased upon arrival for a $1.00 fee.

Currency and Exchange

The official currency unit is the Quetzal. The official exchange rate remains at par with the dollar. However, most transactions take place at the floating parallel market rate which now exceeds the 3 to 1 rate in favor of the U.S. dollar. Major credit cards are accepted at principal hotels and restaurants.

Business practices

Business hours for commerical and industrial firms are 9:00 a.m. to 6:00 p.m., Monday through Friday. Government offices are open 8:00 a.m. to 4:30 p.m., Monday through Friday. Banks are open to the public from 9:00 a.m. to 3:00 p.m., Monday through Friday. U.S. Embassy hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday. The U.S. Embassy is located at Avenida Reforma 7-01, Zone 10, Guatemala City.

Much of the business conducted in Guatemala is based on personal relationships. Guatemalan business executives and government officials frequently place great importance on personal contacts with foreign suppliers. U.S. suppliers should be prepared to travel to Guatemala and follow up visits with correpondence and telephone calls.

U.S. suppliers will quickly become aware of increased foreign competition in Guatemala. Foreign competitors are extremely aggressive. U.S. executives interested in pursuing business in Guatemala should approach local business persons in the same manner they approach prized clients in the United States. Suppliers should be prepared to explain how their products and services will complement existing products and systems.

In view of the proximity of Guatemala to the United States, U.S. sales personnel should travel to the country. Such travelers often are surprised at the accessibility of key decision-makers and by the openness and frankness of local buyers.

Promotional material should be in Spanish. Though many private and public officials speak and read English, many technicians and engineers do not. Guatemalans are extremely receptive to technical presentations that are educational rather than sales oriented.

Business Holidays

Following are the major business holidays: New Year's, Holy Thrusday and Good Friday, Labor Day (May 1), Army Day (June 30), Feast of the Assumption (August 15), Independence Day (September 15), Revolution Day (October 20), All Saints Day (November 1), Christmas (December 24—from noon—and December 25), New Year's Eve (December 31—from noon).

In addition the banking sector celebrates the following holidays: Holy Wednesday, (from noon), Bank Worker's Day (July 1), and Columbus Day (October 12).

Additional Sources of Information

American Chamber of Commerce of Guatemala
Hotel El Dorado
7a. Avenida 15-45, Zona 9
Segundo Nivel
Guatemala, Guatemala
Telephone: (5022) 31-22-35

Embassy of Guatemala
2220 R Street, N.W.
Washington, DC 20008
Telephone: (202) 745-4952

Association of American
Chambers of Commerce of Latin America
1615 H Street, N.W.
Washington, DC 20006
Telephone: (202) 463-5609

Market Profile—GUATEMALA

Foreign Trade

Imports—(CIF) $1.2 billion in 1984. Approximately 32 percent from the United States, the largest single supplier. Major imports: Transportation equipment, industrial machinery, chemical products, petroleum products, consumer goods.
Exports—(FOB) $1.1 billion in 1984. The U.S. purchased approximately 33 percent of these exports. Major exports: coffee, cotton, sugar, cardamon.
Trade Policy—A member of Central American Common Market (CACM). Intra-CACM duties almost eliminated, but some controls exist. Common external CACM tariff in effect for about 95 percent of product categories. Preferential interchange and free trade agreement with Panama on certain specific items. Relatively few restrictions, but limitations result from foreign exchange scarcity.
Trade Prospects—Computer and peripherals; aircraft and parts, particularly helicopters; mining, excavation and construction equipment; automotive parts and accessories; electrical power generation equipment and supplies; food processing and packaging equipment.

Foreign Investment

Current data on foreign investment not available, but most is U.S., largely in agriculture, petroleum refining, commerce, transportation, manufacturing, minerals. Investment Guaranty Agreement with U.S. covers expropriation and political risk.

Finance

Currency.—One quetzal of 100 centavos equals $1. Exchange controls have been imposed to control the export of espital. A free floating parallel market is used for most transactions.
Foreign Aid.—USAID, several international lending organizations (IBRD, IDB), and Central American Bank for Economic Integration (CABEI) are major sources of external financing.
Balance of Payments.—1979 saw the first overall balance-of-payment deficit in many years, due to a current account deficit not entirely offset by capital inflows, direct foreign investment and short-term commerical loans. Balance of payment problems have continued troubling Guatemala in spite of major government efforts to correct imbalances in 1984 and 1985.

Economy

GDP.—$9.9 billion for 1984 in current prices; $1,080 per capita. The Guatemalan economy experienced negative growth in 1982 and 1983 and no growth in 1984. Drastic, de-facto devaluation of the national currency resulting in deteriorated terms of trade will favor export oriented and import substitution industries. No significant real economic growth is expected before 1987.
Agriculture.—Agriculture accounts for more than 60 percent of exports, more than one-fourth of GDP and about three-fifths of total employment. Major crops: coffee, cotton, sugarcane and cardamon.
Industry.—Manufactures dominate exports to other CACM members. Among these textiles, petroleum products, furniture, leather goods, processed foods, chemicals, pharmaceuticals, plastics, tobacco, building materials.
Tourism—Once an important foreign exchange earner, has been a depressed industry since 1981. Noticeable increases in tourist flow in 1985 may be a sign of better times ahead. Guatemala's tourist infrastructure is among the best in the region.

Basic Economic Facilities

Transportation.—Over 1,637 miles of paved roads and over 7,058 miles of unpaved roads. One railroad with 515 miles of narrow guage track links the Atlantic port area to the interior and to El Salvador. Served by many snipping and air lines.
Communications.—Government owns and operates postal, telephone, telegraph and cable facilities. Effort has been underway to upgrade communications capability.
Power.—Total installed capacity 550 MW both thermal and hydroelectric. A number of projects are under development to expand capacity.

Natural Resources

Land.—Area 42,042 square miles. Largely mountainous with coastal plains. Northern one-third consists mainly of sparsely inhabited jungle.
Climate.—Coastal lowlands, average 80°F; temperature highlands 3,000-8,000 feet, 58°F, higher, quite cool. Rainy season June to October.
Minerals.—Deposits of nickel, lead, sulfur, others; minerals to be increasingly important; with large investment to exploit nickel beginning soon; exploration increasing, including petroleum.
Forestry.—Abundant forest, one of the greatest natural resources, cover 60 percent of land area. Large investment needed. Principal varieties: cedar, mahogany, pine.

Population

Size.—7.9 million (1984 est.); annual growth rate, 2.8 percent. Population is 42 percent urban and is concentrated in the central plateau, which contains three of the five major cities. Approximately 55 percent of the population is Indian, and 40 percent Ladino (mixed Spanish and Indian).
Language.—Spanish is official, but 18 varieties of Maya-Quiche Indian dialects are in use.
Education.—6 years of compulsory education; attendance, 35 percent. Literacy is 38 percent.